

Attacks Heighten Gas Pipeline Debate

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A proposed natural gas pipeline, from Alaska through Canada and into the continental United States is more important than ever for national energy security since the Sept. 11 attacks, senators said Tuesday.

The Senate Energy and Natural Resources Committee is considering whether legislation is needed to expedite construction of the pipeline, which was first authorized in 1976.

Alaska Gov. Tony Knowles testified the proposed 3,500-mile project would cost between \$15 billion and \$20 billion, employing 30,000 people for about a decade.

The pipeline's output, 4 billion cubic feet per day, could provide about 5 percent of the nation's projected natural gas needs at the end of the decade. Committee members all voiced some level of support for the project.

Sen. Jeff Bingaman, D-N.M., committee chairman, said interested parties have had about a year to put together a concrete proposal but only minimal progress on the details has been made and time is of the essence.

"Without Alaska gas, the U.S. will end up importing more liquefied natural gas," Bingaman said. "Once those LNG facilities are in place, the Alaska gas pipeline may not be economic. We will never be able to produce enough energy to be independent of the world oil market, but we have the potential to retain the security of a North American market."

Sen. Frank Murkowski, R-Alaska, said developing the fields -- estimated to hold up to 100 trillion cubic feet of natural gas -- will benefit both his state and the nation. Murkowski, along with Sen. Mary Landrieu, D-La., said the attacks on the World Trade Center and Pentagon have cast U.S. energy security in a less favorable light.

"In the end, America can not allow itself to become dependent on overseas sources of natural gas," Murkowski said. "The potential for disruption of supply makes that solution to our energy needs simply unacceptable."

One of many details holding up any pipeline proposal is the intended route. The 1976 Alaska Natural Gas Transportation Act calls for the pipeline to follow the Alaska Highway over the Canadian Rockies into Alberta, where it could split to supply the West Coast and Midwest. Knowles supports this plan.

An alternate proposal, supported by the government of Canada's Northwest Territories, would put the initial stages of the pipeline under the Beaufort Sea off Canada's north coast. Once it reached the mouth of the Mackenzie River, the pipeline would follow the river valley into Alberta.

Tuesday's testimony showed the highway route's estimated cost at just over \$17 billion, while the sea route would come in at \$15 billion. Knowles testified the underwater version's potential savings could easily be eaten up, however, by new technology costs and legal battles with environmental groups and indigenous peoples.

The other sticking point in developing legislation is what sort of financial incentives Congress might extend to gas companies and other concerns that would invest in the pipeline. Knowles and several senators noted the commodity nature of natural gas would leave investors at the mercy of unpredictable price spikes and drops.

The committee took care to note the concept of subsidies is not under consideration. Many of the incentive proposals revolve around guaranteeing a stable energy tax structure going forward. Other ideas include investment tax credits

and accelerating the depreciation of pipeline-related purchases.

Sens. Ben Nighthorse Campbell, R-Colo., and Craig Thomas, R-Wyo., questioned the fairness of singling out the Alaska project for incentives while similar projects in their states did not receive any help. Knowles repeatedly pointed out the unique size and nature of the pipeline call for unusual support.

Campbell also suggested such a huge pipeline would become an attractive terrorist target. Knowles said the security of such an asset, entirely within the U.S. and Canadian borders, would be better than that of imported LNG.

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